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C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 001134

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SUBJECT: HAS THE CAMPAIGN STARTED?

Classified By: POLMINCOUNS Brian Flora, reason, 1.4 (b) (d)

1. (C) Summary: The phony war between the Conservatives and Liberals broke out into open trench warfare April 13 as the PM turned a direct question on his relationship with a key figure in the sponsorship scandal into an attempted grilling of Conservative leader Harper on the Conservative health care agenda. It could be seen as the opening salvo in the election campaign, which some analysts believe is likely to take place in late June unless something dramatic happens to change the political dynamic. The Liberal strategy, according to US-Canada Parliamentary Secretary Marlene Jennings, is for the Grits to take their lumps over Gomery, but continue to present themselves as the party that will best guard Canadians, standard of living and tolerant social values against the unknowns of the Conservatives (better the scandal you know than the party you don't know). Two key issues for the Liberals will be the Conservative Party's hidden agenda on health care, which received a boost today from a report issued by a Conservative think tank recommending rolling back the Canada Health Act; and national unity, with the Liberals raising the specter of an empowered Bloc Quebecois governing in coalition with the Conservatives. End Summary

And They, re Off

2. (C) Question Period Wednesday and Thursday was as good as it gets for high drama and intensity. On Wednesday, the Conservatives could barely contain themselves as members finished their opening statements. Opposition Leader Harper immediately pounced on the question they initially raised earlier in the week and are determined to have answered -- did the PM ever dine with ad executive Claude Boulay while Finance Minister? The question earlier in the week addressed whether the PM might have influenced contracts but now the Tories wanted a simple yes or no to whether the two had ever met. Minister of Public Works Scott Brison, whose portfolio includes sponsorship, has been the go-to guy for such questions throughout the week, but the PM answered this one himself. After a mild dismissal of the real question, he launched a question of his own for the Conservative Leader. Will the Opposition Leader come clean with the Canadian people about his real agenda on health care? He then stated unequivocally that he and the Liberal Party would defend Canada's health care system.

3. (C) The Boulay question was asked three more times by Harper and others, and each time the PM immediately deflected the issue and went on to accuse the Conservatives of wanting to undercut the Canadian health care system. House Speaker Milliken had a difficult time keeping order, and gently chastised the PM for avoiding the question. Conservative James Moore, a young member whose direct, unflinching style, is winning him a place as the party attack dog, also asked the question, and when the PM again used the opportunity to tout health care, called his answers pathetic, piling on to Stephen Harper's contention that if the issues were not so serious the PM risked making himself into a national joke. Conservative Jason Kenney again asked the direct question about the PM's meeting with Boulay, and suggested that the PM may have perjured himself by the way in which he answered the question. (Note: it was fairly clear to an honest observer that, judging from the way he answered the question, the PM has met with Boulay. End Note)

RALLYING THE TROOPS

4. (SBU) It was not a good day for the Liberals, and the PM later tried to buck up the Liberal caucus, telling them not to be too concerned with the defection of several members of the caucus (MP David Kilgour abandoned the Liberal Party to become an independent and Ontario's Pat O'Brien was considering leaving, also he later confirmed he would stay with the Liberals). He stressed that if they stay the course, presenting themselves as the party that can best preserve the Canadian standard of living and national unity, they will come out on top.

5. (C) US-Canada Parliamentary Secretary Marlene Jennings reiterated this strategy to Poloff in a meeting April 14, saying that it was not the Liberals, decision but they were fairly well resigned to going to elections. She said that it was clear the Liberal Party would take its lumps at the

polls, but also believed that when Canadians stopped to look closely at both parties, they would see that the Liberals were the party that would deliver on the issues that matter to them, particularly health care and social programs. We also met briefly with Minister for Public Works Scott Brison, who was gearing up for another brutal Question Period but expressed confidence that if they can stick to their key themes the Liberals will weather the storm.

THE HIDDEN AGENDA

16. (C) While the PM,s performance in Question Period was somewhat bizarre, in the end he may have achieved his objective. He was probably banking on the fact that most Canadians do not watch Question Period, but will see it reflected the next day in the papers or excerpted on the news. By raising health care, regardless of how he did it, the issue is now out there, and the Liberals can start to shape the debate. The hidden agenda on health care Martin alludes to a report prepared by former Ontario conservative Premier Mike Harris and former Opposition Leader Preston Manning called &A Canada Strong and Free8 (www.fraserinstitute.ca/pdf/CSF-Eng.pdf), issued under the auspices of the Conservative Fraser Institute.

17. (U) Editorials by Harris and Manning today scripted their study, which indeed calls for the elimination of the federal role in health-care management and financing. The report,s recommendations are intended to preserve Canada,s universal coverage while improving the delivery of medical services, but they would do so by dismantling the Health Canada Act, one of the most popular social programs in the country. Harper distanced himself from the report, knowing this is an issue that will resonate with voters.

18. (SBU) The other issue that the Liberals will hit hard is national unity. The PM continued to lump the Conservatives and the Bloc together in an unholy alliance, saying in a prepared statement, &if Stephen Harper and the Bloc Quebecois are going to come together to force an election, then there is going to be an election.8 The Liberals will continue to flog the issue that in order to govern, the Conservatives will have to team up with and empower the Bloc, promoting separatism in the process.

JUNE ELECTION COMING?

19. (C) Political analysts seem to be in agreement that a June election is now likely. Stephen Harper opened the door for this when he said April 13 that he did not believe it was necessary for the Gomery inquiry to finish its work before the Canadian people make a decision on what it means for the Liberal,s ability to govern. Political analyst Bruce Campbell, who as late as Friday was making the case for no elections this year, now says conservative strategists have indicated an election will almost certainly take place between mid-June and late June &unless something dramatic happens that convinces the Conservatives not to force an election.8 He believes the Conservatives and Bloc will table a no-confidence vote at some point after mid-May. A staffer in Conservative MP Rahim Jaffer,s office actually did the math, and after taking out holidays, considering the Queen,s visit, and looking at the 36 days necessary for the campaign, came up with June 27th as the most likely date for an election.

110. (C) Comment: There are still a few off-ramps to the scenario of a spring election, but the momentum is definitely moving in that direction. The Conservatives have several weeks to make a firm decision and will carefully follow the polls during that time. While the Canadian people are still expressing no desire for a snap election, polls now indicate a shift away from health care as the most important problem to that of ethics, which would be encouraging for Conservative strategists. At some point, positive numbers or not, the question of Conservative credibility will be called into question if they do not formally give a voice to the Canadian people,s growing lack of confidence in their government.

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